WELLS FARGO
INVESTMENT INSTITUTE

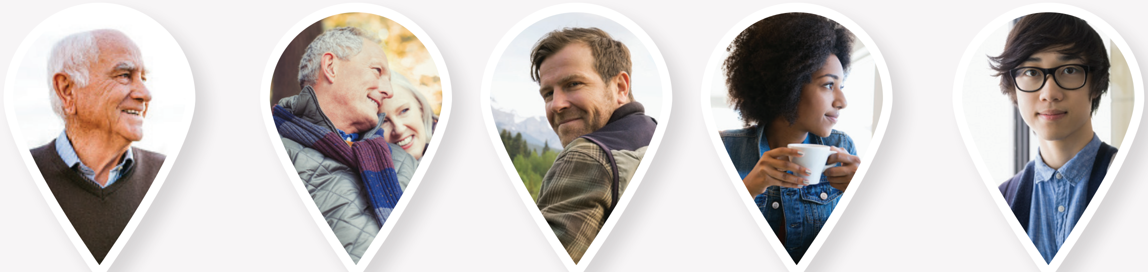
Seeing Wealth Differently Across Generations

Generational Influences on Financial Decisions

The Wealth Journey

Many of us follow a financial path with common milestones. Yet generational views on spending, investing, and building wealth have been affected by significant experiences. The Silent Generation's experience with the Great Depression fostered a sense of thrift and a preference for cash. The Baby Boomers became comfortable consumers, supported by dual-income households and access to credit. Generation Xers relied on borrowing as well but also developed self-reliance by experiencing two major financial setbacks as adults (see graphic below). Millennials came of age amid the financial crisis, which likely made an indelible mark on their financial decision-making. Finally, the Post-Millennials, the youngest cohort, will soon embark on their own financial journey. And so the cycle continues.

Influential Financial Events by Generation:



Silent Generation (1928–1945)	Baby Boomers (1946–1964)	Generation Xers (1965–1981)	Millennials (1982–2000)	Post-Millennials (2001–today)
26 million	74 million	70 million	85 million	69 million
• The Great Depression • The economic buildup for World War II	• Post World War II economic boom • Oil embargo • High inflation rates of mid-to-late 1970s	• Market crash of 1987 • Late 1980s recession when many were beginning their careers • Long 1990s bull market, ending in the dot-com bubble	• September 11 attacks as children • Housing crisis/ Great Recession • Student loan crisis	• Housing crisis/Great Recession as children

1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2020

Investment and Insurance Products: NOT FDIC Insured ▶ NO Bank Guarantee ▶ MAY Lose Value

The Generational Cycle

For most investors, spending and investing follows a circular pattern: a focus on discretionary spending in younger years, followed by a greater emphasis on saving—for retirement, a home down payment, or children's education—and then a return to discretionary spending once any long-term debts are paid off. The effect this pattern has on the economy and on financial markets largely depends on the forces that shaped each generation's perspective on saving and investing.

In this report, we describe how the three largest generations in the U.S.—Baby Boomers, Generation X, and Millennials—participate in today's financial markets and how their shared attitudes affect the way individuals spend, save, invest, and accumulate wealth.

Generational Demographics

Despite the differences among generations, many will follow the same progression of marriage, children, and homeownership—milestones that affect their spending, saving, and investing decisions.

	Baby Boomers	Generation X	Millennials
Married	64%	62%	26%
Have minor children	10%	57%	24%
Own a home	84%	65%	20%

Source: Financial Finesse, Generational Research, 06/01/2016

Defining a generation:

A generation is a group of individuals born and living at about the same time. Watershed events, particularly those observed during our formative years, often become etched in the collective consciousness, helping define a generation.

WHAT'S INSIDE

Key Questions Addressed in This Report

- What are the typical financial characteristics of each generation?
- How do major financial events influence each generation's investment decisions?
- As Baby Boomers retire and Millennials enter the workforce, how are spending patterns likely to change?
- How do investors of each generation prepare for the next step in their financial lives?

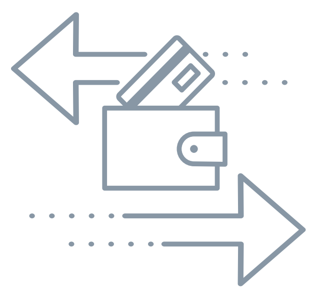
The Effects of Generational Change

"Every generation laughs at the old fashions, but follows religiously the new." —Henry David Thoreau

According to the U.S. Census Bureau, there are approximately 326 million individuals residing in the U.S., spanning six generations (see the graphic on page 5). Each generation has often-noted differences, yet individuals from the various generations interact frequently—in the workplace, in the financial markets, and on social media.

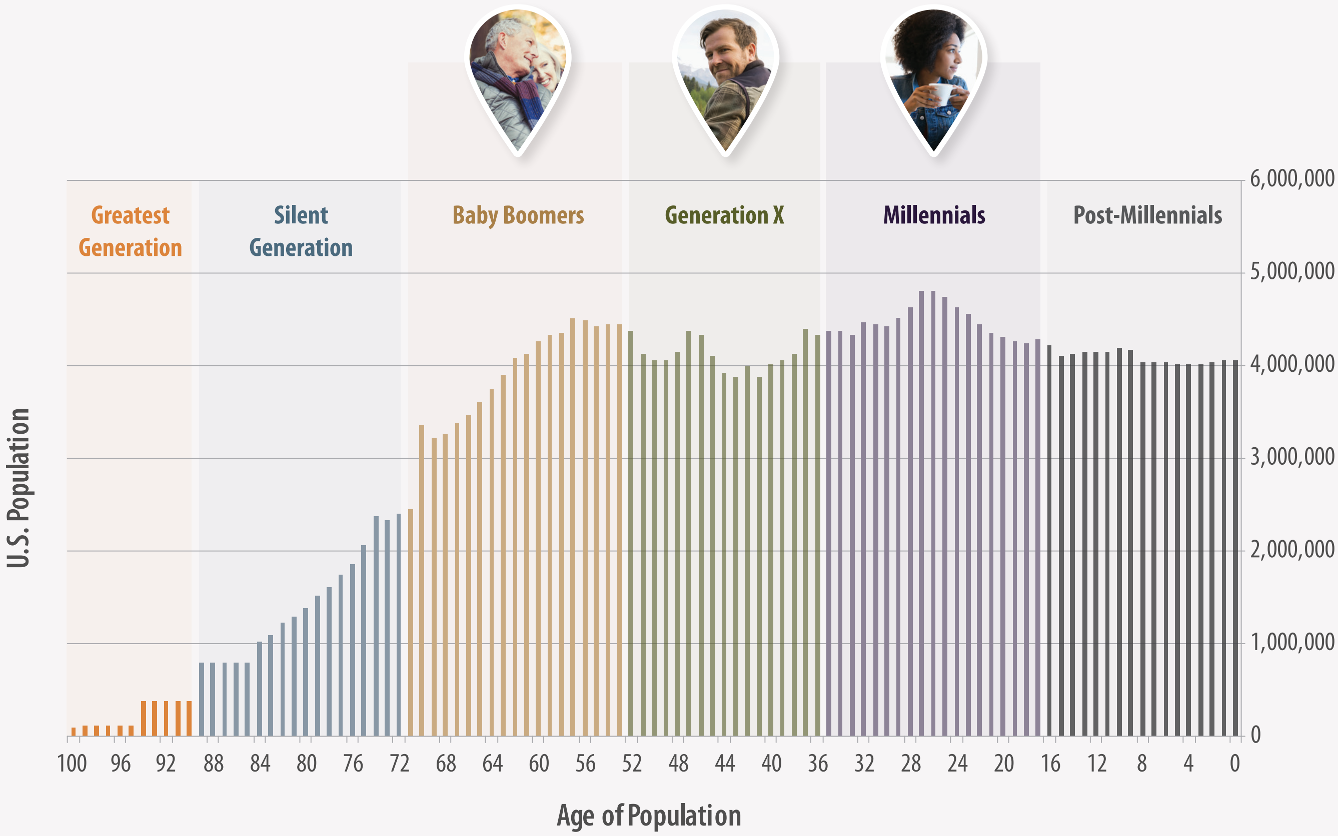
Changing workplace: Millennial workers have surpassed the number of Baby Boomer workers, making Millennials the largest demographic in the U.S. workforce, as well as globally. With many Baby Boomers working longer—either by choice or necessity, Generation X in the middle of their working lives, and Millennials entering the workforce, most employers now have to adapt to the work preferences of these three generations.

Shifting consumer patterns: Looking ahead, we anticipate a shift in consumer spending patterns. As more Baby Boomers enter retirement, we expect their spending on things such as recreation and health care to increase. The average income of Generation Xers is the highest among the generations. Despite spending on consumer staples to support their households, and in some cases their young adult children and aging parents, some may have the ability to spend on discretionary and luxury items. Meanwhile, Millennials are beginning to form households, and, in some cases, start families, increasing their contribution to consumer spending.



Changing preferences in asset selection: Events such as a market correction, or even a recession, might provide an opportunity for newer investors to buy assets at lower prices, while established investors might see these same events as threats to their wealth. Younger participants often have a higher allocation to equities for growth, while older participants often tend to emphasize fixed income for income and reduced volatility. However, due to today's low interest rates and longer working lives, Baby Boomers may need to maintain a higher allocation to equities during their retirement years than prior generations.

Distribution of the U.S. Population According to Generation (as of August 2016)



Source: U.S. Census Bureau, International Database, August 2016

Intergenerational Wealth Transfer

The intergenerational transfer of assets from the Silent Generation (born from 1928 to 1945) to their children, mostly Baby Boomers and Generation Xers, has had a sizable impact on generational wealth in the U.S. However, there will be a significantly larger intergenerational transfer that could occur in two stages over the next 30 to 40 years.[1]

In the first stage, a transfer of **4% to 6%** of total investable assets every five years

In the second, (accelerated) stage, a transfer of **8% to 10%** of total investable assets every five years

Family dynamics will play an important role in this wealth transfer. Legacy, influence, and family welfare are delicate topics that should be discussed openly among family members of all generations. This is one of the reasons that we encourage investors to develop an investment plan and a set of instructions for executing it.

1. Sources: Wells Fargo Investment Institute, November 11, 2016; Havens, John J., and Schervish, Paul G., "A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy Technical Report," Center on Wealth and Philanthropy, Boston College, May 28, 2014.

Baby Boomers: The Wealth Holders

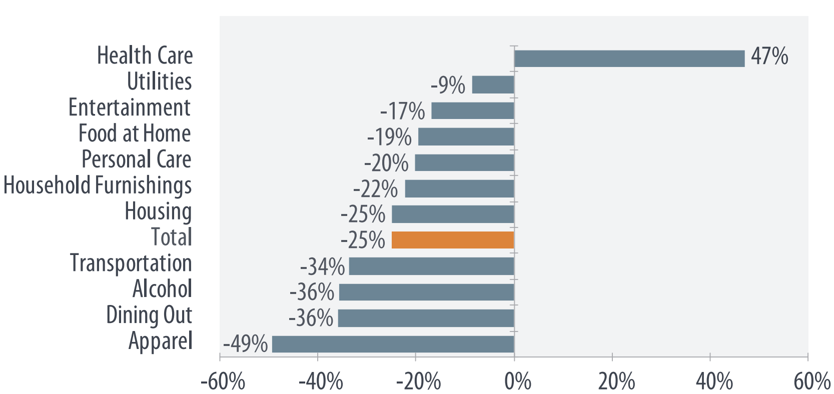
A Generation Making a Difference

The dramatic increase in birth rates following World War II created one of the largest generations in U.S. history. The zeal that many Baby Boomers brought to marches and rallies as college students in the 1960s was eventually matched by the enthusiasm they carried into the workforce. Homeownership rose and overall demand for goods and services was driven higher as this large cohort began to earn and spend. This generation, perhaps more than any other before it or any since, has embodied the *American dream*, effecting change along the way.

Retirement Boom

This generation was the first to be broadly introduced to do-it-yourself retirement plans, such as 401(k)s and 403(b)s. Later in their careers, many Baby Boomers benefited from the bull-market run of the 1990s and the housing-market boom of the early to mid-2000s. This generation now controls more than half of the wealth in the U.S.[2] Wealthier Baby Boomers likely are considering how they will use charitable givingto benefit society for decades to come, how they will transition their wealth to heirs, and how to accomplish these goals in the most tax-efficient way possible. Others might be wondering how they will afford the high costs of health care and make their savings last for what could be an extended retirement.

Changes in Spending for Senior (Age 65+) Versus Younger Households



Sources: U.S. Department of Labor (2015) and Wells Fargo Securities. Originally published in "Boomer Spending: Bracing for the Slowdown," March 24, 2017, Wells Fargo Securities.

Health Care: This generation will spend more on health care needs. One study puts this amount at an additional 47 percent in comparison with those aged 64 or less.

Sources: U.S. Department of Labor and Wells Fargo Securities

Financials: The Financials sector should benefit from an aging Baby Boomer population. Baby Boomers are likely to spend on insurance, financial advice, and annuities. They also may purchase long-term care and other types of insurance coverage as they age.

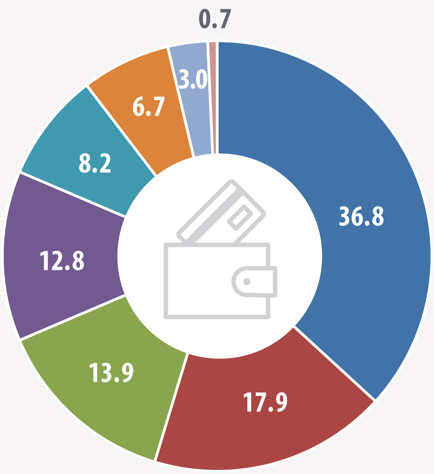
2. Source: Val Srinivas and Urval Goradia, "The Future of Wealth in the United States: Mapping Trends in Generational Wealth" Deloitte University Press, November 2015.

Financial Characteristics

- Baby Boomers—generally considered those born between 1946 and 1964 (ages 53 to 71).
- The average median household income for Baby Boomers in the U.S. is $64,664.50. (Bureau of Labor Statistics Consumer Expenditure Survey)
- Many Baby Boomers may not be on track for retirement, which can be disconcerting because of the relatively short time available to close the gap. According to the 2016 Wells Fargo Retirement Survey, half of today's workers expect they will need to work until at least the age of 70 because they will not have enough saved for their retirement years.
- Similar to Generation X, some Baby Boomers also are part of the so-called sandwich generation, squeezed between caring for aging parents and supporting their children or grandchildren.

Spending Pie for the Typical Baby Boomer

(as a percent of income)



36.8% Housing · 17.9% Transportation · 13.9% Food · 12.8% Health Care · 8.2% Personal Insurance and Pensions · 6.7% Entertainment · 3.0% Apparel and Services · 0.7% Education

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, August 2016

Next Steps

- ☑ A balanced portfolio with additional exposure to fixed income and other income-generating investments, such as real estate investment trusts and dividend-paying stocks, can provide potential income for everyday expenses. Maintaining an equity allocation should allow the portfolio to keep pace with inflation.
- ☑ Alternative investments may help hedge assets that have accumulated over time and also provide exposure to growth opportunities.
- ☑ Investing in bank loans and preferred stocks may potentially provide benefits. As this generation continues to retire, it probably will be the first one in a while to do so in a rising-rate environment. Bank loans are often floating- rate loans—meaning their income can rise along with interest rates—while preferred stock tends to offer higher dividend yields than common stock.
- ☑ Asset location and tax-efficient investing should not be overlooked. For example, holding growth assets in a taxable account while holding dividend stocks and bonds in retirement accounts may help mitigate tax consequences.*
- ☑ Baby Boomers on a fixed budget should carefully manage any debt that they may have. Paying off a mortgage before retirement is a great way to remove the highest monthly fixed cost for many consumers. However, this consideration should be balanced against any tax benefits from maintaining a mortgage. Investors should consult a tax professional for advice specific to their situation.*
- ☑ Those who have not done so may want to consider estate planning to meet legacy objectives. Long-term care insurance may be beneficial to some investors as a way to conserve assets for estate planning.*

* Wells Fargo and its affiliates are not legal or tax advisors. Be sure to consult your own tax advisor before taking any action that may involve tax consequences. Any estate plan should be reviewed by an attorney who specializes in estate planning and is licensed to practice law in your state.

What Are Baby Boomers Investing For?

Source: Stash, April 2017

Retirement: 72.6%

Vacation: 16.2%

Health care costs: 7.3%

Buying a home: 6.9%

Generation X: The Sandwich Generation

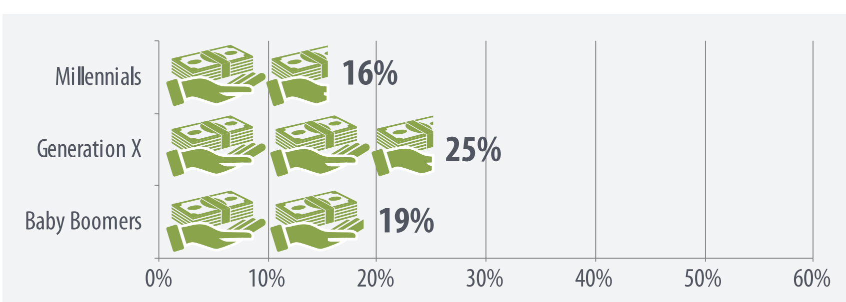
Adept and Adaptable

Generation X was introduced to personal computers in school or the workplace, but some may be old enough to remember the pre-digital age. This group is sometimes referred to as the sandwich generation because many Generation Xers are caring for aging parents while also saving for their children's education costs. Meanwhile, some Generation Xers are still repaying their own student loans. This group tends to be technologically adept and self-sufficient, as many were raised as *latchkey kids* and learned to fend for themselves early in life.

Looking ahead, Generation Xers likely face long retirements—with increases in life expectancy, high health care costs, and questions surrounding the sustainability of Social Security and Medicare. With the average Social Security income of about $1,360 per month per person, older Generation Xers, now in their early 50s, are beginning to think about how to manage costs in retirement. Generation Xers with children might be having conversations with them about the importance of saving for the future and choosing a career or vocation that will support their lifelong personal and financial goals. As the first cohort to come of age after the U.S. enabled 401(k) plans in 1978, Generation Xers understand that individuals are responsible for their own retirement and act accordingly. However, the financial strains experienced by some in this generation may lead them to borrow against their retirement accounts.

Percent of Participants With 401(k) Loans

The greater prevalence of 401(k) loans among Generation Xers might reflect the financial stress on this sandwich generation.



Source: "2017 Driving Plan Health," Wells Fargo Institutional Retirement and Trust, December 31, 2016. Numbers based on analysis of more than 5,000 401(k) plans managed by Wells Fargo Institutional Retirement and Trust.

Consumer Discretionary:

Generation X has the largest average household income. This generation not only makes purchases for themselves but also for their children and aging parents. Many Generation Xers are do-it-yourselfers and prefer to do their own home-based projects.

Information Technology:

Generation Xers are comfortable with technology and enjoy using state-of-the-art gadgets. They are increasingly using technology for everyday chores and to aid in retail purchases and services, such as investment decision-making. We expect this trend to continue in the future.

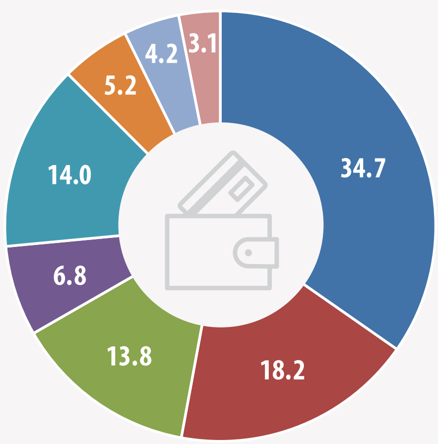
Financial Characteristics

- Generation X—generally considered those born between 1965 and 1981 (ages 36 to 52).
- The average median income for Generation Xers in the U.S. is $90,000 (Bureau of Labor Statistics Consumer Expenditure Survey).
- Generation Xers were hardest hit by the Great Recession, which occurred as they were embarking on their career paths and as many had become homeowners. As a group, Generation X lost nearly half of its wealth between 2007 and 2010, a larger decline than any other demographic during the recession.[3]
- Studies in 2015 from Northwestern Mutual and Allianz reveal that Generation X is generally pessimistic about a secure retirement. However, we believe it is not too late to begin to save.
- Like many Baby Boomers, quite a few Generation Xers are caring for both their parents and their children, which can result in financial stress.

3. Source: "A New Financial Reality: The balance sheets and economic mobility of Generation X," The Pew Charitable Trusts, September 18, 2014.

Spending Pie for the Typical Generation Xer

(as a percent of income)



34.7% Housing **18.2%** Transportation **13.8%** Food
6.8% Health Care **14.0%** Personal Insurance and Pensions
5.2% Entertainment **4.2%** Apparel and Services **3.1%** Education

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, August 2016

Next Steps

- Although many Generation Xers are still paying for children's educational expenses, it's important to remember that retirement should be a priority as well.
- This generation still has a number of years to prepare for retirement. For those who have not done so, we believe it's imperative to begin saving. Retirement accounts offered by employers, such as 401(k)s or 403(b)s, often match employee contributions. An individual retirement account might be appropriate for those who qualify.
- As Generation Xers reach age 50—often the start of their peak earning years—they can take advantage of catch-up provisions in retirement accounts. Catch-up provisions allow individuals to contribute additional dollars to tax-advantaged accounts.
- Generally, investment allocations should favor equities for long-term growth, with a portion allocated to other asset groups for diversification and to align with risk tolerance.
- Life insurance and long-term care insurance may be considerations for some as a way to protect existing assets. Generation Xers should check with their investment professional for details.

What Are Generation Xers Investing For?

Source: Stash, April 2017

Retirement: 73.0% | **Vacation:** 23.2% | **Buying a home:** 20.6% | **College:** 13.5%

Millennials: The Largest Generation

A Demographic Growing in Importance

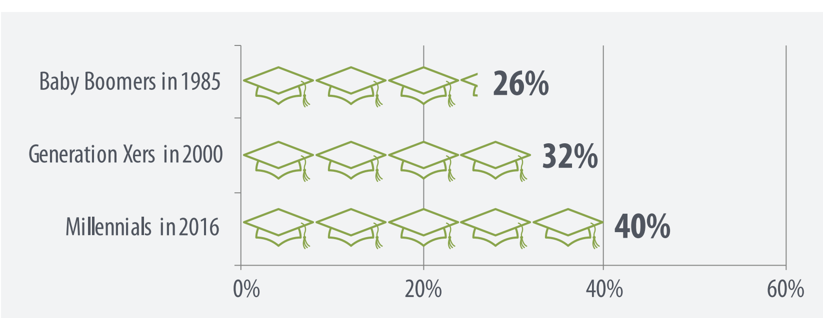
Millennials have received their share of attention of late. Their importance is, perhaps, borne out of the role they are expected to play in shaping our economic and political future over the next several decades. The oldest members of this generation have been in the workforce for a few years, while many of the youngest are embarking on their college years.

Millennials grew up in a fast-paced environment with a wide variety of family dynamics and backgrounds. Technology seems innate to them, and they are active participants in the sharing and freelance (or gig) economies. This is an ethnically diverse generation. Millennials appear to thrive amid ethnic diversity and enjoy being interconnected globally. Making a positive social impact is a key aspiration for them. Many value organizations with missions that speak to a greater purpose than just the bottom line.

Looking ahead, we do not expect Millennials' financial habits to differ significantly from prior generations—a trend that should continue as wealth passes down from one generation to the next. Certain sectors seem poised to benefit as Millennials come of age, forming households and seeking work-life balance.

Percent of Employed 25- to 29-Year-Olds With a Bachelor's Degree or More

High educational attainment is one positive feature of the Millennial generation, given that data continue to show economic benefits from a college degree.[4]

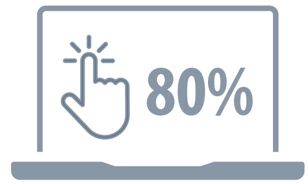


Source: Pew Research Center analysis of 1964, 1985, 2000, and 2016 Current Population Survey Annual Social and Economic Supplements. Data published on May 16, 2017.

4. Source: "The Rising Cost of Not Going to College," Pew Research Center, February 11, 2014.

Information Technology:

- More than 80 percent of Millennials use social media. (Pew Research Center)



- TV-connected devices account for 23 percent of Millennials' total time with video, compared with just 6 percent for consumers 35 and older. (Nielsen)

  Note: TV-connected devices include DVD players, VCRs, game consoles, and digital streaming devices.

Consumer Discretionary:

- The average Millennial spends $2,915 on travel each year. This is likely to increase as Millennials enter their higher-earning years. (TripAdvisor)
- Millennials seem to value a healthy lifestyle, with obesity declining and exercise increasing between 2008 and 2015. (Gallup)

Real Estate:

- Rent has increased 18 percent since 2013, increasing the attractiveness of purchasing a home. (Bloomberg, Apartments Real Estate Effective Rent Index)
- A tight labor market is beginning to increase wages for Millennials, on average. (Bureau of Labor Statistics)

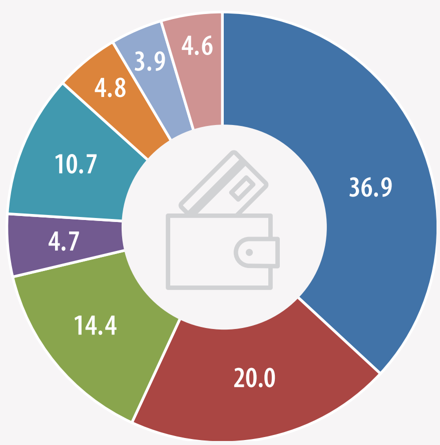
Financial Characteristics

- Millennials—generally considered those born between 1982 and 2000 (ages 17 to 35).
- The average median household income for Millennials in the U.S. is $48,039, about 20 percent less than Baby Boomers earned at the same stage in life. (Bureau of Labor Statistics Consumer Expenditure Survey)
- U.S. Millennials account for about $1.3 trillion in direct spending. That number should increase as Millennials continue to reach peak buying power. (Boston Consulting Group, 2014)
- Although the majority of Millennials are saving for retirement, 41 percent of them have yet to begin. Of the Millennials who are not saving for retirement, 64 percent say they are not making enough money to save for retirement.[5]
- About 34 percent of Millennials carry student debt, with a median balance just under $20,000. Of those who carry debt, 75 percent of them say the debt is unmanageable.[5]

5. Source: Wells Fargo Millennial Survey, August 3, 2016

Spending Pie for the Typical Millennial

(as a percent of income)



36.9% Housing **20.0%** Transportation **14.4%** Food
4.7% Health Care **10.7%** Personal Insurance and Pensions
4.8% Entertainment **3.9%** Apparel and Services **4.6%** Education

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, August 2016

Next Steps

- ☑ Beginning the habit of saving is crucial while one is still young because of the power of compounding. Even modest amounts of monthly saving can add up over a 40-year working life. Moreover, pre-tax contributions to 401(k) or 403(b) plans often offer an employer match in addition to tax-deferred growth.
- ☑ Generally, investment allocations should heavily favor equities for long-term growth, with a portion allocated to other asset groups for diversification.
- ☑ Consider international investing. Millennials may be more likely to buy abroad than their parents. Likewise, they may more easily appreciate the benefits of investing in global companies whose products they buy.
- ☑ Social and environmental change is important to Millennials. This tendency lends itself perfectly to social impact investing, which offers investors the potential to achieve financial goals while also influencing causes they're passionate about.
- ☑ Millennials have delayed home purchases and starting a family.[6] This is because this cohort has lower income levels when compared with other generations at the same age.
- ☑ Learning how to develop and stick to a budget is important as Millennials enter their early career stages.
- ☑ Millennials also should develop and stick to a long-term investment plan, even while recognizing that they should adjust their plan as their circumstances change.
- ☑ Millennials are by far the most tech-savvy generation. As they begin to invest, they may want to consider digital advice platforms, which deliver investment advice and portfolios via automated tools. Later in life, their finances could become more complicated, and they may find using an investment professional helpful.

6. Source: "Financial Health of Young America: Measuring Generational Declines Between Baby Boomers & Millennials," Young Invincibles, January 2017.

What Are Millennials Investing For?

Source: Stash, April 2017

Retirement: 61.4% | **Buying a home: 43.1%** | **Vacation: 33.0%** | **Buying a car: 20.3%**

The Narrowing Generation Gap

We live in a unique age. People are living longer and more active lives. Today, up to five generations regularly interact with each other in a variety of settings. The proverbial generation gap of yesteryear seems to be narrowing. We are observing this trend in family interactions, the workplace, financial markets, and social media platforms. As this trend continues to flourish, connections are likely to continue to form across generations in different environments.

How We Consume

Globally, e-commerce sales continue to grow. For 2016, forecasts project growth of 17.5 percent.[7] In the first half of 2017, traditional brick-and-mortar U.S. retailers experienced a drop in revenues and earnings as consumer spending habits continued to move to online retail channels. Moreover, this trend is occurring across age groups. According to a 2015 report from BI Intelligence,[8] a disproportionate share of middle-aged consumers are shopping online.

How We Work

Baby Boomers, Generation Xers, and Millennials regularly interact in the workforce—and in roughly similar proportions; according to the Pew Research Center, the composition of the labor force in the first quarter of 2015 was 34 percent Millennials, 34 percent Generation X, and 29 percent Baby Boomer. Thus, all three generations will be affected by the growth of robots and automation. Such technology has been part of the workplace for a while, but the magnitude and complexity of these capabilities seem set to increase. In our opinion, even though robotics likely will reshape many industries and strip some workers of their livelihoods, new opportunities likely will arise for meaningful work.

How We Invest

The Financials sector has been an epicenter of technological disruption in recent years, with asset and investment management most affected. The union of data analytics and ever-increasing computing power has enabled firms to deliver tailored products for automated investing to clients. Although it was originally thought that primarily Millennials would want digital advice platforms, in reality all generations are participating.[9]

7. Global B2C E-Commerce Report 2016, Ecommerce Foundation, Ecommerce Europe, September 28, 2016
8. Smith, Cooper, BI Intelligence, "The E-Commerce Demographics Report," September 10, 2015
9. Pender, Kathleen, *San Francisco Chronicle*, "Schwab adds a human side to its robo-advice services," March 19, 2017

Does Your Strategy Connect With Your Objectives?

Although the generations are making meaningful connections in many aspects of their lives, their choice of investment strategies may not be as effective. In general, we have found that generations do not invest all that differently, but perhaps they should. Below we analyze how our clients of different generations are investing by observing their asset allocations and contrasting them with the average allocation of U.S. Target Date Funds.[10]

Each individual should invest according to the asset allocation that fits their unique financial goals. Target date funds provide only a general estimate of how an investor may choose to allocate, based solely on their investment time horizon.

	Silent Generation		Baby Boomers		Generation X		Millennials	
Average Allocation Across:	U.S. Target Date Fund 2015	Clients Surveyed[10]	U.S. Target Date Fund 2025	Clients Surveyed[10]	U.S. Target Date Fund 2035	Clients Surveyed[10]	U.S. Target Date Fund 2045	Clients Surveyed[10]
Cash	6.89	11.34	6.28	13.57	5.23	14.06	5.04	14.22
Fixed Income	44.00	30.38	33.64	19.74	15.24	11.10	6.34	12.62
Equity	44.95	52.07	56.01	59.88	76.22	67.94	85.73	67.78
Other*	3.84	6.20	3.88	6.82	3.15	6.89	2.70	5.38

Sources: Wells Fargo Investment Institute; Wells Fargo Wealth and Investment Management Analytics, as of 6/14/2017; and Morningstar Direct, as of 6/30/2017.
*Other includes real assets (commodities and public real estate).

Equities are the asset group of choice across all generations. Furthermore, older generations appear more invested in equities than younger generational cohorts relative to comparable target date fund.

Millennials display a slightly higher allocation to fixed income compared with Generation Xers. This may be a result of growing up during the financial crisis.

Baby Boomers and Generation Xers have higher allocations to *other* investments—including hedge funds and public real estate—than Millennials.

On average, all generations displayed a higher allocation to cash than the target date funds and higher than what we would recommend.

Plotting the Next Step of Your Financial Journey

Investing is a dynamic endeavor, and each generation must strive to match its actual asset allocation with its investment objectives, risk tolerance, and cash-flow needs. Investors from each generation must also plan for unanticipated financial events as they continue along their financial life cycle.

As a next step, we encourage investors to undergo a financial checkup and assess their own situation. Although we have provided several insights, what truly matters is commitment to achieving your financial goals. That begins with developing a well-defined plan and sticking with it over time.

10. The Wells Fargo Wealth and Investment Management Analytics Survey of Wells Fargo Advisors clients involved observing the average allocation of 904,000 accounts inside households whose head was born between 1928 and 2000. We only included households with total assets greater than $10,000, excluding trusts. We defined the generations in the following way: Silent Generation (born between 1928 and 1945), Baby Boomers (born between 1946 and 1964), Generation X (born between 1965 and 1981), and Millennials (born between 1982 and 2000). In addition, we compared the allocations with the average allocations of target date funds for the years 2015, 2025, 2035, and 2045 as categorized by Morningstar.

A target date fund is a mutual fund that is professionally managed to hold more conservative investments as the fund's target retirement year approaches. Target date funds invest in other mutual funds of the fund company, and the target retirement date guides the investment style. Target date funds are subject to the risks associated with the underlying funds in which they invest. These risks change over time as the fund's asset allocation strategy adjusts as it approaches it target date. Typically, target date funds are sold by date, such as a 2025 fund. The farther away the date is, the greater the risks the fund usually takes. There is no assurance a target date fund will achieve its investment objective or that an investor will have sufficient money in retirement investing in a target date fund. The principal value of an investment in a target date fund is not guaranteed at any time, including at its target date.

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Mr. Alvarado researches and analyzes economic and market trends for the investment strategy team. He joined the investment strategy team in 2012 from Wells Fargo Advisors, where he served as a client service associate. Prior to Wells Fargo Advisors, Mr. Alvarado worked as a personal banker in Los Angeles, California.

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Mr. Johnson is responsible for analysis of the economy, financial markets, investment strategy, and asset allocation. Prior to his current role, he served as a wealth planner for the Mid-Atlantic region of Wells Fargo Private Bank, where he worked with clients to develop custom wealth plans based on a thorough understanding of their personal values, assets, wealth transfer goals, and vision for their legacy.

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Tracie McMillion, CFA
Head of Global Asset Allocation Strategy

Ms. McMillion leads the development of global investment strategy. She oversees the creation of asset allocation recommendations and writes economic and market commentary and analysis. Prior to her current role, she served as an asset allocation strategist and a senior investment research analyst for Wells Fargo and predecessor firms.

Ms. McMillion earned a bachelor's degree in economics and a master's degree in business administration from the College of William & Mary in Virginia. She is a CFA charterholder. Ms. McMillion is located in Winston-Salem, North Carolina.

Michael Taylor, CFA
Investment Strategy Analyst

Mr. Taylor focuses on global asset allocation strategy and economic and market analysis. He has more than 17 years of experience in financial services and has spent the past 13 years at Wells Fargo.

Mr. Taylor earned a bachelor's degree in chemistry from the University of Minnesota Institute of Technology, a bachelor's degree in Chinese and Russian from the University of Minnesota College of Liberal Arts, and a master's degree in business administration from the University of Minnesota Carlson School of Management. Mr. Taylor is a CFA charterholder. He is based in Minneapolis, Minnesota.

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All investing involves risks, including the possible loss of principal. There can be no assurance that any investment strategy will be successful. Investments fluctuate with changes in market and economic conditions and in different environments due to numerous factors, some of which may be unpredictable. Asset allocation and diversification are investment methods used to help manage risk. They do not ensure a profit or protect against a loss.

Risk Considerations:

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve.

Stocks may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **International** investing has additional risks, including those associated with currency fluctuation, political and economic instability, and different accounting standards. **Dividend-paying stocks** may not return more than the overall market. Dividends are not guaranteed and are subject to change or elimination. **Bonds** are subject to interest-rate, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. **Bank loans** are subject to interest-rate and credit risk. They are generally below investment grade (junk bonds) and are subject to defaults and downgrades. Bank loans are difficult to value, have long settlement times, and are relatively illiquid. **Preferred securities** have special risks associated with investing. Preferred securities are subject to interest-rate and credit risks. Preferred securities are generally subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of nonpayment than more senior securities. In addition, the issue may be callable, which may negatively affect the return of the security. **Real estate** has special risks, including the possible illiquidity of underlying properties, credit risk, interest-rate fluctuations, and the impact of varied economic conditions.

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